REMARKS

Applicants have amended claims 26, 30, and 34-38. Claims 26-43 are now pending in this application.

In the Office Action dated February 13, 2004, the Examiner rejected claims 26-43 under 35 U.S.C. 112 as being indefinite, claims 26-30, 33, and 38-43 under 35 U.S.C. 102(e) as being anticipated by Basch et al. (US Patent No. 6,119,103), and claims 31, 32, and 34-37 under 35 U.S.C. 103(a) as being unpatentable over Basch et al. in view of Spitz et al. (US Patent No. 2002/0139837 A1).

The undersigned has reviewed the February 13, 2004, Office Action and respectfully traverses all rejections for the reasons set forth herein. No new matter has been added. The undersigned respectfully requests that all pending claims, as amended, be allowed.

A. Overview

Before addressing the merits of the rejection, some brief comments reviewing the invention may be helpful. The following comments are provided exclusively to facilitate the Examiner's review of the invention and should not be interpreted in any way as narrowing the scope or breadth of the present invention.

The present invention relates to analysis and quantification of risk associated with an online transaction taking place in an online marketplace. The automated nature of an online transaction can involve a high volume and frequency of transactions, and the expansive breadth of an online marketplace enables transaction participants to access the marketplace from many different sovereign entities and jurisdictions. Market participants can also operate relatively anonymously as compared with their exposure in traditional marketplaces. As a result, risk can be increased and varied.

The present invention contains several unique steps for assessing and managing risk associated with an online transaction. One unique step is gathering data that is generally related to regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position. Regulatory risk includes factors that may cause the online market participant to be in

violation of rules put forth by a regulatory agency such as the Securities and Exchange Commission (SEC). (p. 2, lines 25-27.) Reputational risk relates to harm that an online market participant may suffer regarding its professional standing in the industry. (p. 7, lines 27-28.) Legal risk relates to, in part, the institutional punishment (e.g., imprisonment, probation, community service) associated with violating state and/or Federal laws. Legal risk is broader than financial risk, which relates to factors indicative of monetary costs, some of which can be fines, forfeitures, and costs to defend an adverse position. (p. 7, lines 21-25.)

The present invention teaches gathering data from sources that identify high risk entities, geographic areas or other variables. For example, information can be gathered from " a list generated by the Office of Foreign Assets Control (OFAC) including their sanction and embargo list, a list generated by the U.S. Commerce Department, a list of international "kingpins" generated by the U.S. White House, regulatory actions, a foreign government, U.S. adverse business related reports", etc (p. 7 lines 3-12).

Another unique step is to structure or integrate the risk variable data with data that relates to details of a transaction. The present invention automatically integrates the data generally related to regulatory risk, reputational risk, legal risk, such as data descriptive of an OFAC list, with data descriptive of a particular online transaction in a manner and timeframe that allows them to conduct business in an online marketplace and still contain those risks.

Still another unique aspect of the Applicants' invention is generating a report that includes the integrated data. In some embodiments the reports can also include a risk quotient and/or a suggested action. Typically, the report will be useful to demonstrate corporate governance is being addressed through tangible risk management processes (p. 10 lines 1-2).

B. <u>35 U.S.C. 112</u>

The Examiner has rejected claims 26-43 under 35 U.S.C. 112 as being indefinite. Applicants have amended claims 26, 30, and 34-38 as explained below, thus further clarifying their meaning, and as such, respectfully traverse the rejection and request allowance of claims 23-46.

In the Office Action of February 13, 2004, the Examiner stated that claim 26 is "vague and unclear to one with ordinary skill in the art" because "[i]t is not clear if the associating step involves 'associating a portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position; with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction' or 'associating a portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with . . . one or more market participants associated with the transaction.'"

Applicants have amended claim 26 to further clarify which elements are associated within the associating step and generating step, respectively. Accordingly, Applicants have defined "risk data" to be the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position. As such, it is now clear that the associating step associates a portion of the risk data with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction. Applicants have amended the generating step in similar fashion to indicate the same association. Claims 30 and 34-38 have been amended to include the term "risk data." The clarifying amendments that have been made to independent claim 26 rectify the indefiniteness the Examiner has indicated in dependent claims 27-43.

C. 35 U.S.C. 102(e)

The Examiner has rejected claims 26-30, 33, and 38-43 under 35 U.S.C. 102(e) as being anticipated by Basch et al. (US Patent No. 6,119,103). Applicants respectfully traverse the rejection and request allowance of the claims.

Basch is specifically directed to and the description focused on a system and method for predicting and assessing only the financial risk that may be associated with a financial transaction of an already existing account holder, or with a first issued account. The Basch system and method require that at least one first credit account issues to an account holder by a credit account issuer. The risk is calculated by monitoring the transactions made by the account

holder in one or multiple accounts held with one or multiple account issuers. A score is then formulated for an account, and when such account score goes below a predefined financial risk threshold, a warning may be transmitted to one or more account issuers. The warnings are issued to enable account issuers mitigation of further financial losses.

Review of the Basch patent shows that its system and method is intended to improve fraud or insolvency detection of account holders that may get around existing credit bureaus reporting, by maxing out all accounts prior to the billing cycle and then filing for bankruptcy or otherwise avoiding repayment. The Basch method attempts to overcome the flaws of present credit bureaus reporting systems by issuing warnings directly at the account issuer's level, but only if a certain minimum treshold is reached. The transaction scoring method described in the Basch patent is based primarily on scoreable transaction patterns, where the scoreable transactions relate to events associated at least with a first issued account, and relevant only to the assessment of financial risk.

Basch, however, in no way teaches or suggests any methods or systems related to the identification and evaluation of the regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position, in the context of online business transactions occurring in an online marketplace. Basch is an expansion of credit scoring, and as such, only describes receiving data related to a specific account or account holder and transactions entered into by such an account holder. Basch does not describe or suggest any risk other than financial credit risk, and does not relate to managing risk related to an online marketplace.

Applicants respectfully submit that the Basch invention, which addresses financial credit risk fails to describe or anticipate the risks addressed in the present invention just as Basch fails to address or describe still other types of risk, such as for example the risk of a person dying (pertinent to life insurance transactions) or th risk of a terrorist act (pertinent to security concerns). Specifically, in the present instance, Basch fails to anticipate a methods and systems for analyzing and quantifying regulatory risk, reputational risk, legal risk and risk associated

with a cost to defend an adverse position, in the context of online business transactions occurring in an online marketplace.

As the Federal Circuit instructs "anticipation requires the disclosure in a single prior art reference of each element of the claim under consideration." W.L. Gore & Assocs. V. Garlock, Inc., 721 F.2d 1540 (Fed. Cir. 1983). Furthermore, the prior art reference must disclose each element of the claimed invention "arranged as in the claim." Lindermann Maschinenfabrik GmbH v. American Hoist & Derrick Co., 730 F.2d 1452 (Fed. Cir. 1984). When the steps of a method are claimed, and they are more in number than those of the method claimed in the allegedly anticipatory reference, there can be no anticipation. See Systemation, Inc. v. Engel Indus., Inc., Civ. App. No. 98-1489, 1999 U.S. App. LEXIS 3849 (Fed. Cir. Mar. 10, 1999) (table) (attached as Appendix 1).

Thus, in order for the present rejection under 35 U.S.C. 102(e) to be proper, the Basch et al. reference "must clearly and unequivocally disclose the claimed [invention] without any need for picking, choosing, and combining various disclosures not directly related to each other by the teachings of the cited reference." In re Arkley, 455 F.2d 586, 588 (C.C.P.A. 1972).

In stating his rejection of claim 26 (the sole independent claim of the present application), the Examiner has done no more than recite portions of the claim verbatim, while conveniently omitting those elements that are not present in Basch, and provide cites to Basch without explanation of how those cites, or any of Basch at all, anticipate the elements of claim 26. In fact, the Examiner has only provided one terse explanation for his rejection, which if accurate (which it is not), would fall considerably short of supporting the anticipation of claim 26.

Specifically, the Examiner declined to include in his recitation of claim 26, the elements (1) relating the present invention's risk analysis and evaluation method to an online marketplace, and (2) defining the types of risk considered by the method of the present invention to include regulatory risk, reputational risk, and risk associated with a cost to defend an adverse position. Similarly, Basch lacks these elements as well. As discussed above, Basch considers only financial risk, and does not teach a method for dealing with risk in the context of an online marketplace.

The one risk disclosed in claim 26 that the Examiner stated to be considered in Basch is legal risk. In support of his assertion, the Examiner stated that "divorce filings, tax liens, judgments, and the like are legal risks." Although Basch teaches the risk associated with divorce filings, tax liens, judgments, and the like, Basch only considers the financial risk associated therewith. (See, e.g., col. 7, lines 55-58; col. 9, lines 32-35; col. 15, lines 6-10.)

As discussed above, the legal risks taught in the present invention address legal consequences institutional punishment (e.g., imprisonment, probation, community service) associated with violating state and/or Federal laws. Although a monetary fine may be a consequence of an illegal action, Basch clearly does not describe any methods or systems for assessing or dealing with such situations. Nor does Basch discuss the defense of an adverse position. Therefore Basch cannot and does not anticipate the claimed invention.

In his rejection of claims 27-30, 33, and 38-43, the Examiner has followed the same methodology of reproducing portions of the claims while omitting elements of the present invention that are absent from Basch, and providing limited explanation for his rejection, much of which includes inaccurate interpretations and conclusions. One such notable statement is not only inaccurate, but is contradicted by a statement the Examiner made later in this Office Action. In reference to claim 30, the Examiner indicated that Basch discloses "generating a risk score based upon the portion of data generally related to legal risk." (Office Action of February 13, 2004, p. 4.) In support of his position, the Examiner stated that "[r]isk scores include risk quotients and divorce filings, tax liens, judgments, and the like are legal risks." (Id. at p. 5.) First of all, for the reasons discussed above in reference to claim 26, the Examiner's statement regarding legal risks is inaccurate. Secondly, in his rejection of claim 32 under 35 U.S.C. 103(a), the Examiner contradicts his earlier position in stating that "Basch does not explicitly teach risk scores indicative of an amount of . . . legal risk." (Id. at p. 6.)

For the same reasons that Basch lacks the limitations of independent claim 26, it lacks the limitations of dependent claims 27-30, 33, and 38-43. Therefore, Applicants respectfully submit that claims 26-30, 33, and 38-43 are in condition for allowance.

D. 35 U.S.C. 103(a)

The Examiner has rejected claims 31, 32, and 34-37 under 35 U.S.C. 103(a) as being unpatentable over Basch et al. in view of Spitz et al. (US Patent No. 2002/0139837 A1). For the reasons set forth above relating to Basch, and additional arguments presented below, the Examiner's rejection cannot stand. As such, Applicants respectfully traverse the rejection and request allowance of the claims.

Similar to Basch, the Spitz application describes systems and methods for quantifying financial risk. In particular, Spitz describes systems and methods for monitoring risk of fraud associated with credit card transactions. As does Basch, Spitz deals with only one type of risk -- financial risk. In fact, Spitz's teachings are even narrower than those of Basch because Spitz concerns credit card fraud only. Applicants respectfully submit that Spitz, either alone or in combination with Basch, fails to teach the limitations of the present invention.

To establish a case of obviousness, the Examiner must meet three basic criteria. First, there must be some suggestion or motivation, either in the references themselves, or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine the references' teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and not based on the applicant's disclosure. MPEP 706.02(j), citing In re Vaeck, 947 F.2d 488, 20 U.S.P.Q.2d 1438 (Fed. Cir. 1991). Further a *prima facie* case of obviousness requires that all the claim limitations must be taught or suggested by the prior art. In re Royka, 490 F.2d 981, 180 U.S.P.Q. 580 (C.C.P.A. 1974). Thus, in order for the Examiner to established a case of obviousness, he must (a) show a motivation to modify or combine Basch and Spitz, and (b) demonstrate that the prior art references describe or suggest all of the claimed limitations of the present invention.

The Examiner has taken a similar approach to stating his obviousness rejections as he did in stating his anticipation rejections – partially reproducing the claims of the present invention while omitting their unique elements, and making inaccurate and unsupported interpretations and

conclusions. Because (1) Spitz is concerned with only financial risk associated with fraud, whereas the present invention addresses regulatory risk, reputational risk, legal risk, and risk associated with a cost to defend an adverse position; and (2) Spitz relates to only credit card transactions, whereas the present invention concerns a broad variety of online transactions; Spitz does not alone, or in combination with Basch, disclose the limitations of the present invention.

With respect to his rejection of claims 31 and 32, the Examiner stated that "[r]isk of fraud is a legal risk and restrictions applicable by law or by issuing associations are examples of regulatory risks." (Office Action of February 13, 2004, p. 6.) First of all, Spitz considers only the financial risks associated with fraud. (Paragraph 0004.) As discussed above, the legal risks described and claimed in the present invention relate to different aspects than mere financial risks. Secondly, Spitz only discloses regulations imposed by card issuing associations for the purpose of defining a card issuing association. Spitz does not teach quantifying and evaluating any risk associated with such regulations. (Paragraph 0030.) In his rejection of claims 34-37, the Examiner repeated the statement that "[r]isk of fraud is legal risk." (Office Action of February 13, 2004, p. 7.) While an act of fraud may have legal implications for the person committing such acts, neither Basch or Spitz are directed to addressing such legal implications or risks. As discussed above, Basch and Sptiz only anticipate financial implications of an act, fraudulent or not. For the reasons discussed above, the Examiner's rejection cannot stand based on this statement.

Even if Basch and Spitz included a description of each of the claimed limitations, which they clearly do not, Applicants respectfully submit that there is no motivation for someone of ordinary skill in the art to combine the cited references. "There are three possible sources for a motivation to combine references: the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the arts." In re Rouffet, 149 F.3d 1350, 1357, 47 U.S.P.Q.2d 1453, 1457-58 (Fed. Cir. 1998). None of these three possible sources have been demonstrated in the Office Action dated February 13, 2004.

The only grounds offered by the Examiner for combining the cited references is "it would have been obvious to one with ordinary skill in the art at the time of invention[.]" (Office Action

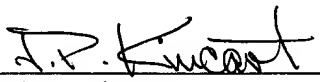
of February 13, 2004, p. 6-7.) A blanket statement concerning "one with ordinary skill in the art" is a highly subjective and unsubstantiated statement that does not meet the Examiner's obligation to succinctly establish a prima facie case of obviousness. Thus, Applicants respectfully submit that it would not have been obvious to combine Basch – a method and system for analyzing a variety of financial risks associated with a variety of transactions – with Spitz – a method and system for analyzing financial risk associated with credit card fraud only.

CONCLUSION

Allowance of this application, as amended, is courteously urged.

Respectfully submitted,

Date: March 26, 2004



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